



## Energy Local

### **Getting more out of our electricity networks by reforming access and forward- looking charging arrangements**

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**Question 1:** Do you agree with the case for change as set out in this chapter? Please give reasons for your response, and include evidence to support this where possible.

We broadly agree with the points made; however, distributed Generation should not be regarded as causing the problem of constraints. The cause is the lack of balancing of demand and generation at the same voltage level. With modern technology it is as much the role of demand, as it is of generation, to provide the flexibility to balance locally. There needs to be mechanisms to regard a group of users who balance locally, as a single user for the purposes of UoS. Rewards for flexibility should be provided for both demand and generation, especially when balancing locally.

Recent focus has over-prioritised removing UoS credits for DG and given insufficient attention to rewarding flexibility or local balancing of groups of users.

Furthermore, a key aim now is to decarbonise the electricity system and renewable resources are concentrated in particular parts of the country. Renewable generation should not be penalised for locating in the areas with the best renewable resources that will benefit the whole of the country.

**Question 2:** Do you agree with our proposal that access rights should be reviewed, with the aim to improve their definition and choice? Please provide reasons for your response and, where possible, evidence to support your views.

Defining and explaining access rights would enable more users to understand their rights and choices.

Time dependent access rights (e.g. solar only having access in the day and encouraging lower access rights at peak times by demand) would provide for a more efficient use of the network. Combinations of demand and generation could share their access rights and operate as one so that it is in their interest to balance locally.

Fixed duration access rights could put small generation at a disadvantage; they could be outpriced at the end of a term and continued access is uncertain. Risk of loss of access could make investment unattractive.

Groups of generators and demand could operate as one user and reduce their access rights to high voltage levels by local balancing, although it is unclear how this could be policed.

Markets in access rights could seriously disadvantage small generators and demand customers who could easily be outpriced. What may seem to be a level playing field will not be, if those with financial muscle can out-price others. There is also a danger that the small generators and small demand customers would be put off by the complexity of trading in the market for access. Both of these barriers would not only disadvantage small generators but also small demand, which could damage local economies.

Mechanisms for strategic planning for a group of generators and demand in a particular area (possibly with a bond to establish a commitment to connect) are needed. For example, the rights could be allocated elsewhere after a certain number of years if the connection is not made. This would allow a more efficient and strategic means to plan a network, potentially leading to a lower average price per MW to connect. Local balancing encourages the use of just the local voltage level. How allowing access to only the local network could be enforced is unclear.

**Question 3:** Specifically, do you have views on whether options should be developed in the following areas as part of a review? Please give reasons for your response, and where possible, please provide evidence to support your views.

Increasing clarity will help, but there are many legacy agreements which mean that this is a long term project

Core and additional demand could increase the efficiency of use of the network but if the DNO assumes that everyone can choose a higher capacity this will not reduce the cost of the network.

Options over firmness and increased clarity will help and time profiled firmness or shared firmness between generators will reduce costs.

Time-limited access could put pressure on smaller generators, who may struggle with higher costs for longer contracts.

**Question 4:** Do you agree with the key links between access and charging we have identified in table 1? Why or why not? Do you think there are other key links we have not identified? Where possible, please provide evidence to support your views.

We agree with the key links. The additional link is the potential for a group of demand and generation users to share access and reduce marginal costs by local balancing, as a group.

**Question 5:** Do you agree with our proposal that targeted areas of allocation of access should be reviewed? Please give any specific views on the areas below, together with reasons for your response. Where possible, please provide evidence to support your views:

We agree with the targeted areas; however, great care must be taken to not disadvantage small generators and demand users without financial muscle in any market or 'use it or sell it' mechanism. Care must be taken to ensure this does not increase the price of connections because of speculation. A strategic approach to plan for a number of generators and demand would deliver more efficient design, cheaper networks on average, and fairer than 'first come, first serve' approach, which otherwise leads to a race to use existing capacity that is there as an accident of history. Network planning can also be enhanced by taking account of development in an area of demand and generation.

**Question 6:** Do you agree that a comprehensive review of forward-looking DUoS charging methodologies, as outlined in paragraphs 4.3-4.7, should be undertaken? Please provide reasons for your response and, where possible, evidence to support your position.

**Question 7:** Do you agree that the distribution connection charging boundary should be reviewed, but not the transmission connection boundary? Please provide reasons for your response and, where possible, evidence to support your position.

As noted previously, generation should not be regarded as the 'problem' of export. Demand should be rewarded for balancing generation rather than penalising generation, especially low carbon generation that benefits the whole of society and is limited in its location. Demand and generation operating as one user and balancing locally would reduce the cost of reinforcement and could be used in DUoS to encourage the right behaviour.

If we wish to have a low carbon network and develop the economy, granular locational signals will inhibit the best location of renewable generation and business. These are costs that should be socialised for everyone's benefit. This is still compatible with shallower up-front connection charges, since it rewards those who are prepared to balance locally to manage constraints and penalises those whose behaviour increases the cost of reinforcement.

Time-based capacity based charging blended with some volumetric charging is important as it takes into account both time of use and the benefit of the availability of the network when local generation is offline. It encourages efficient use of the network.

A comprehensive review is needed of the role of the transmission and high voltage distribution network charges and how they are paid. The aim should be to encourage the right behaviour for an era of large scale renewables in remote areas, small local generation and the ability shift demand. This should take into account the benefits of having the transmission network available for use when there is no or surplus local generation, whilst reducing payments when local balancing takes place between local users (demand and generation).

Encouraging and allowing flexibility to use site specific DUoS to develop new incentives for the right behaviour at all voltage levels would allow the charging regime to adapt over time.

**Question 8:** Do you agree that the basis of forward-looking TNUoS charging should be reviewed in targeted areas? If you have views on whether we should review the following specific areas please also provide these:

As noted previously distributed generation should not be penalised for exporting on to the transmission network when demand is not balanced locally: the burden should be shared by demand and generation. The proposed unilateral removal of zero limit on TNUoS charges should not be implemented. Capacity-based charges for TNUoS would mean fair payment for generation behind a demand meter having the availability of the network when the generation is off. It would be fairer to sharing the capacity charge between generation and demand, as one user, to minimise use of the transmission system. Demand in areas with no generation should share the cost of the use of the transmission network by generation connected at distribution level, as

they are benefiting from the low carbon electricity and the security of dispersed generation.

**Question 12:** Do you agree with our proposal to launch an 'Option 1' SCR for areas of review that we lead on? Please give reasons for your view.

We are concerned that, whether the review is Ofgem led or industry led there is the risk that small consumers will not be heard and will not have the funds to participate. Regardless of whether the reviews are industry- or Ofgem led, funding for expert representation of these groups is essential.

**Question 13:** Do you agree with the introduction of a licence condition on the basis described in paragraphs 5.11 and 5.12 and Appendix 5? Why or why not? Do you have any comments on the key elements set out in table 7 of Appendix 5a, or consider there are any other key elements which should be included? Please give reasons for your view.

The proposal is reasonable, but it is hard to see how true consultation and proving benefit to customers can be demonstrated.

**Question 16:** What are your views on our proposals for coordinating and engaging stakeholders in this work?

The expense and time to attend Forums and Taskforces is excessive, which means that the voices of large suppliers and DNOs are heard most. Without funding for expert representation, the invitation for smaller parties' involvement is window dressing.

## What is Energy Local CIC?

### The Energy Local Overview

Energy Local allows a local group of domestic customers and local generators to form themselves into a new type of organisation: an Energy Local Club (ELC). Householders have advanced meters to record when and how much power they are using. Members (consumers and generators) agree a price (the match tariff) that the generator receives if power is used by club members when it is generated. The power from a local generator is shared across all the Energy Club members using power in each half-hour. The price for the power that is used locally gives the generator a higher price than FITs minimum or PPA and contributes towards lower bills for households. The licensed supplier sells extra power via a Time of use Tariff (TOUT) to householders, and this pays for power not generated locally.

Everyone in the club must switch to the same supplier. The supplier provides all the billing and licensed responsibilities. The supplier benefits from:

- lower cost of sale and 'stickier customers';
- smoothing the demand curve; and
- potential reduced risk of imbalance.

It is also envisaged that if the bulk of the power that the customers consume is provided by the local generator, then the supplier can charge an administration fee for passing the payments from demand club members to generator club members.

At present, if local generation is not used on site when it is generated, it is sold at ~5p/kWh, whilst neighbours, who may have invested in the generator, have to buy it back at perhaps 15p. Furthermore, currently in the UK domestic electricity market consumers are normally charged a flat price per unit, irrespective of when the electricity is used. This is despite the fact that suppliers buy electricity at different prices at different times of day depending on the level of demand and generation available. Domestic customers are not rewarded for matching use to local generation, i.e. local balancing or using power at cheaper times of day. Changing this would help alleviate network constraints and smooth the nation demand curve.

Because each Energy Local Club will be matching generation and demand from the same sub-station there is the potential for many thousands of ELCs across the country. An ELC gives the opportunity for the owner of the generator to earn more for the electricity generated than the market PPA price without additional cost to the supplier.